

STATE OF MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY LANSING



March 17, 2009

Bill Number and Sponsor:

House Bill 4542 Representative Pearce, et al.

2. <u>Purpose:</u>

The proposed legislation would amend Part 303, Wetlands Protection, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA), to eliminate Department of Environmental Quality (DEQ) authority to regulate activities under that part beginning on January 1, 2010. The bill also affirmatively prohibits the DEQ from regulating wetlands under Part 303, from administering the federal Section 404 permit program, and from contracting with the federal government in connection with the federal permitting program.

The bill eliminates DEQ authority to update wetland inventories and to identify the location of wetlands on private property at a landowner's request.

The bill would constrain the ability of local units of government to regulate activities in wetlands by altering certain permit exemptions and otherwise describing necessary provisions of local wetland ordinances.

This bill clarifies provisions for pre-application meetings in Part 301, Inland Lakes and Streams, of the NREPA, by incorporating language currently found in Part 303.

This bill also amends Part 13, of the NREPA, to eliminate references to Part 303.

3. How This Legislation Impacts Current Programs in the Department:

Part 303, Wetland Permits. The DEQ's Land and Water Management Division (LWMD) has administered a permit program under Part 303 since 1980, and currently issues approximately 1500 to 1800 permits per year authorizing activities in wetlands. Most regulated activities are some form of construction involving the permanent alteration of wetlands through filling, excavation, or drainage. Permit applicants include businesses, land developers, individual property owners, transportation agencies, state and federal land management agencies, and other landowners.

Since 1984, the DEQ has been authorized to administer a combined state-federal wetland permit program under Section 404 of the Federal Clean Water Act (CWA). Except in Great Lakes coastal waters, wetland permits issued by the DEQ also authorize alteration of wetlands under Section 404 of the CWA. As a result, most applicants for wetland permits in Michigan are not required to obtain a separate Section 404 permit from the United States Army Corps of Engineers (USACE) as they are in most states.

If this bill took effect, a state permit would not be required for an activity in a wetland. However, a federal permit, issued by the USACE, would still be required for activities in federally regulated wetlands. The USACE would also resume responsibility for inspecting activities in Michigan wetlands and bringing enforcement actions for violations of the CWA.

Part 301, Inland Lakes and Streams Permits. The majority of permits issued under Michigan's Section 404 Program authorize activities in lakes and streams, such as seawalls, docks, and boat ramps; structures that cross streams including driveways, roads, or pipelines; dams; drain construction or relocation; placement of culverts in streams, and numerous similar activities. These activities are permitted under Part 301, of the NREPA.

Each of these activities would require a separate authorization from the USACE if Section 404 authority is relinquished to the federal government. Approximately 3000 to 4000 landowners each year would also have to apply for this USACE permit in addition to their Part 301 permit.

Part 301, Pre-application Meetings. This bill also amends Section 30104b, of the NREPA, to define the process and fees for an inland lakes and streams permit pre-application meeting, which is currently authorized by reference in Part 303.

Introduced at Agency Request:

No.

5. Agency Support:

Yes. The Department's position is based on multiple prior efforts to secure increased permit fees and the conclusion that future support for increases appeared to be unlikely. This position is also a reflection of the current inadequate level of funding afforded to administer Part 303.

Justification for the Department's Position:

The DEQ faces a significant structural imbalance between meeting its assigned legal responsibilities for protecting wetlands (and other sensitive natural features) and the funding it is afforded to meet those responsibilities. The DEQ previously sought legislative approval to increase the amount of money the program collects through fees for service so as to eliminate the program's structural funding shortfall. These proposals were not sufficiently supported by payers, interest groups and legislators and therefore were not approved.

Given the severe general fund shortfall for fiscal year (FY) 2010, the Governor's proposed FY 2010 budget does not include funding for administration of Part 303.

The bill needs to repeal Part 303 in its entirety for the following reasons:

- The proposed amendment would continue to authorize local regulation of activities in wetlands under constraints originally designed to dovetail with state level regulation. Maintaining these constraints while eliminating the state role is an inappropriate limitation on local prerogatives. Local governments will be able to regulate wetlands to the extent appropriate under general land use authorities if Part 303 is repealed in its entirety.
- The bill does not amend sections of the statute which currently specify the DEQ's permitting and enforcement responsibilities, therefore it is unclear whether local governments would be responsible for these sections after January 1, 2010 (Sections 30311 through 30316).
- The bill retains some responsibilities for the DEQ (e.g., receiving information from counties and reporting on fee revenue). The bill can only be justified to reflect a lack of funding to administer the wetlands program and therefore needs to eliminate all DEQ responsibilities.
- The bill maintains references to the wetlands inventory (Sections 30301(n)(iii) and 30321) that are irrelevant because the inventory has been completed.
 Piecemeal repeal increases the potential that retained provisions such as these will be ineffective and confusing.

Federal Regulation. The USACE would provide a basic level of protection for wetlands in Michigan by requiring permits under Section 404 of the CWA. While the scope of federal jurisdiction cannot be clearly defined due to uncertainty stemming from recent Supreme Court decisions, it would be determined on a case-by-case basis using federal guidebooks and regulations. Federal regulations also require mitigation for all impacts to regulated waters, including wetlands.

Necessary Changes to the Bill:

Pre-Application Meetings. Addition of specific language regard pre-application meetings under Part 301 would ensure the DEQ can still provide this service to the public. Language specifying Part 301 pre-application meeting provisions should be consistent with the type of applications received under that program. Project fees should be based on the linear feet of lake or stream frontage associated with the project, rather than the acreage of the project area (which is a more suitable measure for wetlands). Fees should remain as proposed, but the \$250 fee should be for the first 200 linear feet of lake or stream frontage, plus \$50 for each additional 100 linear feet or portion thereof. If a project is on a lot that has less than 200 linear feet of lake or stream frontage, or is less than one acre in size, there would be no need for a fee if the meeting is in the Department's office. Language should allow meetings to be held at the department's central office, in addition to other specified locations.

Additional Information

Federal Permitting. Michigan law establishes permit consideration deadlines. There are no permit consideration deadlines in federal statute.

Duplication of Permit Requirements. Michigan's current permit process provides for authorization under multiple state and federal programs through a single permit application¹, most notably Part 301. Relinquishing authority to issue Section 404 permits would mean that state-issued permits for dredge and fill activities in inland lakes and streams (e.g., seawall construction, road crossings, culvert placement, and maintenance dredging) will require separate state and federal permits. Approximately 3000 to 4000 permit applications annually fall into this category.

Precluding State Input into Federal Decisions. Section 401 of the CWA requires that any applicant for a federal permit obtain certification from a state agency that the activity will not result in a violation of state water quality standards. Relinquishing authority to issue Section 404 permits would mean that an applicant for a federal permit will need to obtain a state certification under Section 401. Repeal of Michigan's wetland law will leave DEQ without procedure or authority to support DEQ processing of such requests.

Impacts on Michigan's Resources. Michigan's wetland law provides protection for approximately one million more acres of wetlands, typically smaller and more isolated wetlands, than are regulated under federal statute.

7. State Revenue/Budgetary Implications:

Elimination of the wetland permit program would reduce general fund expenditures by \$2.1 million, with a reduction of approximately 30 positions. This reduction would also impact other DEQ programs, as any staff elimination in the wetlands program would cause an employment "bump" chain across division lines, per the Department of Civil Services requirements.

Permit fees associated with wetland permit applications would be eliminated, as would fees associated with the Wetland Identification Program, which is also abolished by this bill. Federal wetland program grants from the USEPA (typically on the order of \$400,000 annually) would be lost.

8. <u>Implications to Local Units of Government:</u>

The proposed amendment would continue to authorize local regulation of activities in wetlands under constraints originally designed to dovetail with state level regulation. Maintaining these constraints while eliminating the state role is an inappropriate limitation on local prerogatives. Local governments will be able to regulate wetlands to the extent appropriate under general land use authorities if Part 303 is repealed in its entirety.

¹ Currently, a single DEQ permit application will provide for review under Section 404 of the federal CWA, along with review under multiple state regulations including wetlands, inland lakes and streams, floodplain, dam safety, Great Lakes Submerged Lands, and sand dune authorities. Water Quality Certification and Coastal Zone Consistency reviews are included in the process, along with coordination with state and federal endangered species program and state and federal historic preservation acts.

The bill modifies some provisions applicable to local ordinances (e.g., extending some permit exemptions). As a result, the 43 existing local wetland ordinances could need modification to maintain consistency with state law. The bill requires local units of government to interact with the department (e.g., requiring notification of a local ordinance and use of an application form supplied by the department), but does not authorize the department to undertake the corresponding reciprocal activities.

9. Administrative Rules Implications:

Elimination of DEQ authority under Part 303 would require revisions to the associated Part 303 administrative rules. Minor revisions to the Part 301 administrative rules would be required.

10. Other Pertinent Information:

The CWA and federal guidelines have established a very high bar for administration of the Section 404 Program. Although numerous states and tribes have expressed interest in administration of the 404 Program (and a few states are currently pursuing assumption), only Michigan and New Jersey have been approved. A total of 21 states currently support independent state wetlands regulatory programs; most of these states contribute in some manner to the review of federal wetlands permit applications. Only Michigan and New Jersey have been authorized to fully streamline permit processing through state assumption of the federal Section 404 Program, thereby eliminating duplicative state and federal permitting.

Once relinquished, it will be very difficult to regain authority to administer the Section 404 Program in the future.

Steven E. Chester, Director

Department of Environmental Quality

LWMD

JENNIFER M. GRANHOLM GOVERNOR

STATE OF MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY LANSING



March 17, 2009

1. Bill Number and Sponsor:

House Bill 4153 Representative Jim Stamas

2. Purpose:

The proposed legislation would amend Part 303, Wetlands Protection, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA), to eliminate Department of Environmental Quality (DEQ) authority to regulate activities under that Part. The bill also affirmatively prohibits the DEQ from regulating wetlands under Part 303 and from administering the federal Section 404 permit program.

The bill eliminates DEQ authority to update wetland inventories and to identify the location of wetlands on private property at a landowner's request.

The bill would constrain the ability of local units of government to regulate activities in wetlands by altering certain permit exemptions and otherwise describing necessary provisions of local wetland ordinances.

This bill also clarifies provisions for pre-application meetings in Part 301, Inland Lakes and Streams, of the NREPA by incorporating language currently found in Part 303.

3. How This Legislation Impacts Current Programs in the Department:

Part 303, Wetland Permits. The DEQ's Land and Water Management Division (LWMD) has administered a permit program under Part 303 since 1980, and currently issues approximately 1500 to 1800 permits per year authorizing activities in wetlands. Most regulated activities are some form of construction involving the permanent alteration of wetlands through filling, excavation, or drainage. Permit applicants include businesses, land developers, individual property owners, transportation agencies, state and federal land management agencies, and other landowners.

Since 1984, the DEQ has been authorized to administer a combined state-federal wetland permit program under Section 404 of the Federal Clean Water Act (CWA). Except in Great Lakes coastal waters, wetlands permits issued by the DEQ also authorize alteration of wetlands under Section 404 of the CWA. As a result, most applicants for wetlands permits in Michigan are not required to obtain a separate Section 404 permit from the United States Army Corps of Engineers (USACE) as they are in most states.

If this bill took effect, a state permit would not be required for an activity in a wetland. However, a federal permit, issued by the USACE, would still be required for activities in federally regulated wetlands. The USACE would also resume responsibility for inspecting activities in Michigan wetlands and bringing enforcement actions for violations of the CWA.

Part 301, Inland Lakes and Streams Permits. The majority of permits issued under Michigan's Section 404 Program authorize activities in lakes and streams, such as seawalls, docks, and boat ramps; structures that cross streams including driveways, roads, or pipelines; dams; drain construction or relocation; placement of culverts in streams, and numerous similar activities. These activities are permitted under Part 301 of the NREPA.

Each of these activities would require a separate authorization from the USACE if Section 404 authority is relinquished to the federal government. Approximately 3000 to 4000 landowners each year would also have to apply for this USACE permit in addition to their Part 301 permit.

Part 301, Pre-application Meetings. This bill also amends Section 30104b of NREPA, to define the process and fees for an inland lakes and streams permit pre-application meeting.

4. Introduced at Agency Request:

No.

5. Agency Support:

Yes. The Department's position is based on multiple prior efforts to secure increased permit fees and the conclusion that future support for increases appeared to be unlikely. This position is also a reflection of the current inadequate level of funding afforded to administer Part 303.

6. Justification for the Department's Position:

The DEQ faces a significant structural imbalance between meeting its assigned legal responsibilities for protecting wetlands (and other sensitive natural features) and the funding it is afforded to meet those responsibilities. The DEQ previously sought legislative approval to increase the amount of money the program collects through fees for service so as to eliminate the program's structural funding shortfall. These proposals were not sufficiently supported by payers, interest groups and legislators and therefore were not approved.

Given the severe general fund shortfall for fiscal year (FY) 2010, the Governor's proposed FY 2010 budget does not include funding for administration of Part 303, making repeal of Part 303 necessary.

The bill needs to repeal Part 303 in its entirety for the following reasons:

The proposed amendment would continue to authorize local regulation of activities in wetlands under constraints originally designed to dovetail with state level regulation. Maintaining these constraints while eliminating the state role is an inappropriate limitation on local prerogatives. Local governments will be able

to regulate wetlands to the extent appropriate under general land use authorities if Part 303 is repealed in its entirety.

- The bill retains some responsibilities for the DEQ (e.g., receiving information from counties and reporting on fee revenue). The bill can only be justified to reflect a lack of funding to administer the wetlands program and therefore needs to eliminate all DEQ responsibilities.
- The bill maintains references to the wetlands inventory (Sections 30301(n)(iii) and 30321) that are irrelevant because the inventory has been completed. Piecemeal repeal increases the potential that retained provisions such as these will be ineffective and confusing.

Federal Regulation. The USACE would provide a basic level of protection for wetlands in Michigan by requiring permits under Section 404 of the CWA. While the scope of federal jurisdiction cannot be clearly defined due to uncertainty stemming from recent Supreme Court decisions, it would be determined on a case-by-case basis using federal guidebooks and regulations. Federal regulations also require mitigation for all impacts to regulated waters, including wetlands.

Necessary changes to the bill:

Pre-Application Meetings. Addition of specific language regard pre-application meetings under Part 301 would ensure the DEQ can still provide this service to the public. Language specifying Part 301 pre-application meeting provisions should be consistent with the type of applications received under that program. Project fees should be based on the linear feet of lake or stream frontage associated with the project, rather than the acreage of the project area (which is a more suitable measure for wetlands). Fees should remain as proposed, but the \$250 fee should be for the first 200 linear feet of lake or stream frontage, plus \$50 for each additional 100 linear feet or portion thereof. If a project is on a lot that has less than 200 linear feet of lake or stream frontage, or is less than one acre in size, there would be no need for a fee if the meeting is in the Department's office. Language should allow meetings to be held at the department's central office, in addition to other specified locations.

Additional information:

Federal Permitting. Michigan law establishes permit consideration deadlines. There are no permit consideration deadlines in federal statute.

Duplication of Permit Requirements. Michigan's current permit process provides for authorization under multiple state and federal programs through a single permit application¹, most notably Part 301. Relinquishing authority to issue Section 404 permits

¹ Currently, a single DEQ permit application will provide for review under Section 404 of the federal CWA, along with review under multiple state regulations including wetlands, inland lakes and streams, floodplain, dam safety, Great Lakes Submerged Lands, and sand dune authorities. Water Quality Certification and Coastal Zone Consistency reviews are included in the process, along with coordination

would mean that state-issued permits for dredge and fill activities in inland lakes and streams (e.g., seawall construction, road crossings, culvert placement, and maintenance dredging) will require separate state and federal permits. Approximately 3000 to 4000 permit applications annually fall into this category.

Precluding State Input into Federal Decisions. Section 401 of the Clean Water Act requires that any applicant for a federal permit obtain certification from a state agency that the activity will not result in a violation of state water quality standards. Relinquishing authority to issue Section 404 permits would mean that an applicant for a federal permit will need to obtain a state certification under Section 401. Repeal of Michigan's wetland law will leave MDEQ without procedure or authority to support DEQ processing of such requests.

Impacts on Michigan's Resources. Michigan's wetland law provides protection for approximately one million more acres of wetlands, typically smaller and more isolated wetlands, than are regulated under federal statute.

7. State Revenue/Budgetary Implications:

Elimination of the wetland permit program would reduce general fund expenditures by \$2.1 million, with a reduction of approximately 30 positions. This reduction would also impact other DEQ programs, as any staff elimination in the wetlands program would cause an employment "bump" chain across division lines, per the Department of Civil Service's requirements.

Permit fees associated with wetland permit applications would be eliminated, as would fees associated with the Wetland Identification Program, which is also abolished by this bill. Federal wetland program grants from the USEPA (typically on the order of \$400,000 annually) would be lost.

8. <u>Implications to Local Units of Government:</u>

The proposed amendment would continue to authorize local regulation of activities in wetlands under constraints originally designed to dovetail with state level regulation. Maintaining these constraints while eliminating the state role is an inappropriate limitation on local prerogatives. Local governments will be able to regulate wetlands to the extent appropriate under general land use authorities if Part 303 is repealed in its entirety.

The bill modifies some provisions applicable to local ordinances (e.g., extending some permit exemptions). As a result, the 43 existing local wetland ordinances could need modification to maintain consistency with state law. The bill requires local units of government to interact with the department (e.g., requiring notification of a local ordinance and use of an application form supplied by the department), but does not authorize the department to undertake the corresponding reciprocal activities.

9. Administrative Rules Implications:

Elimination of DEQ authority under Part 303 would require revisions to the associated Part 303 administrative rules. Minor revisions to the Part 301 administrative rules would be required.

10. Other Pertinent Information:

The CWA and federal guidelines have established a very high bar for administration of the Section 404 Program. Although numerous states and tribes have expressed interest in administration of the 404 Program (and a few states are currently pursuing assumption), only Michigan and New Jersey have been approved. A total of 21 states currently support independent state wetlands regulatory programs; most of these states contribute in some manner to the review of federal wetlands permit applications. Only Michigan and New Jersey have been authorized to fully streamline permit processing through state assumption of the federal Section 404 Program, thereby eliminating duplicative state and federal permitting.

Once relinquished, it will be very difficult to regain authority to administer the Section 404 Program in the future.

Steven E. Chester, Director

Department of Environmental Quality

LWMD

DEPARTMENT OF ENVIRONMENTAL QUALITY LAND AND WATER MANAGEMENT DIVISION WETLANDS PROTECTION PROGRAM PROJECTED FISCAL YEAR 2009

FTE equivalent	33
Direct Program Costs	
Salary & Wages	3,095,490
Travel	88,370
Other direct program costs	81,920
Division administration	250,320
Dept overhead & IT	165,730
Total program costs	3,681,830

The breakdown of costs is based on estimated staff time dedicated to the program. We do not specifically cost account expenditures to the Wetlands program as it would be nearly impossible to do given the overlap of program responsibilities that occur with any given permit. Noting the \$351,580 difference between the FY 2009 projected program costs and projected program funding, the reason for this shortfall is that the program is under funded to support existing staff, which is part of the reason for the previously proposed increases for Land and Water Permit fees. The DEQ will manage the projected revenue shortfall through attrition and through shifting available fee revenue--if any--from other Land and Water Management Division programs.

Total program funding	3,330,250
State Restricted	428,590
Federal	717,360
General Funds	2,184,300
Funding Structure	

The funding structure presented here is based on the FY 2009 appropriations and reflects actual wetland program costs, while the Executive Budget detail is based on the impact on the FY 2010 budget. The Executive Budget amount for federal revenue (\$406,900) is less than the amount shown above because it properly excludes federal coastal zone management funding currently allotted to the wetland program that would be appropriated to other programs if the wetland program is eliminated. Similarly, the Executive Budget amount for state restricted revenue (\$1,493,100) is more than the amount shown above because it properly includes state restricted revenue from the Michigan Department of Transportation currently funding other program activities (such as under the Inland Lakes and Streams Act) that would be lost if federal Section 404 authority is relinquished.

JENNIFER M. GRANHOLM

STATE OF MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY LANSING



March 17, 2009

1. <u>Bill Number and Sponsor:</u>

To be determined

The bill implements the FY 2010 Executive Budget Recommendation to repeal the Wetlands Protection program administered by the Department of Environmental Quality.

2. Purpose:

The proposed legislation would repeal Part 303, Wetlands Protection, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA), to eliminate Department of Environmental Quality (DEQ) authority to regulate activities under that part.

This bill also clarifies provisions for pre-application meetings in Part 301, Inland Lakes and Streams, of the NREPA, by incorporating language currently found in Part 303.

3. How This Legislation Impacts Current Programs in the Department:

Part 303, Wetland Permits. The DEQ's Land and Water Management Division (LWMD) has administered a permit program under Part 303 since 1980, and currently issues approximately 1500 to 1800 permits per year authorizing activities in wetlands. Most regulated activities are some form of construction involving the permanent alteration of wetlands through filling, excavation, or drainage. Permit applicants include businesses, land developers, individual property owners, transportation agencies, state and federal land management agencies, and other landowners.

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Introduced at Agency Request:

Yes.

5. Agency Support:

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6. Justification for the Department's Position:

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Federal Regulation. The USACE would provide a basic level of protection for wetlands in Michigan by requiring permits under Section 404 of the CWA. While the scope of federal jurisdiction cannot be clearly defined due to uncertainty stemming from recent Supreme Court decisions, it would be determined on a case-by-case basis using federal guidebooks and regulations. Federal regulations also require mitigation for all impacts to regulated waters, including wetlands.

Pre-Application Meetings. Addition of specific language regard pre-application meetings under Part 301 would ensure the DEQ can still provide this service to the public. Language specifying Part 301 pre-application meeting provisions should be consistent with the type of applications received under that program. The proposed bill would establish pre-application meeting fees based on the linear feet of lake or stream frontage associated with the project, rather than the acreage of the project area currently in Part 303 (which is a more suitable measure for wetlands). Fees should remain as proposed. If a project is on a lot that has less than 200 linear feet of lake or stream frontage, or is less

than one acre in size, there would be no need for a fee if the meeting is in the Department's office. The proposed language would allow meetings to be held at the Department's central office, in addition to the Department's district offices for free, or other specified locations for a fee.

Additional Information:

Federal Permitting. Michigan law establishes permit consideration deadlines. There are no permit consideration deadlines in federal statute.

Duplication of Permit Requirements. Michigan's current permit process provides for authorization under multiple state and federal programs through a single permit application¹, most notably Part 301. Relinquishing authority to issue Section 404 permits would mean that state-issued permits for dredge and fill activities in inland lakes and streams (e.g., seawall construction, road crossings, culvert placement, and maintenance dredging) will require separate state and federal permits. Approximately 3000 to 4000 permit applications annually fall into this category.

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Impacts on Michigan's Resources. Michigan's wetland law provides protection for approximately one million more acres of wetlands, typically smaller and more isolated wetlands, than are regulated under federal statute.

7. State Revenue/Budgetary Implications:

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8. Implications to Local Units of Government:

The proposed repeal of Part 303 would repeal restrictions on local regulation of activities in wetlands originally designed to dovetail with state level regulation. Local governments will be able to regulate wetlands to the extent appropriate under general land use authorities.

9. Administrative Rules Implications:

Elimination of DEQ authority under Part 303 would require the associated Part 303 administrative rules to be rescinded. Minor revisions to the Part 301 Inland Lakes and Streams Act administrative rules would also be required.

10. Other Pertinent Information:

The CWA and federal guidelines have established a very high bar for administration of the Section 404 Program. Although numerous states and tribes have expressed interest in administration of the 404 Program (and a few states are currently pursuing assumption), only Michigan and New Jersey have been approved. A total of 21 states currently support independent state wetland regulatory programs; most of these states contribute in some manner to the review of federal wetland permit applications. Only Michigan and New Jersey have been authorized to fully streamline permit processing through state assumption of the federal Section 404 Program, thereby eliminating duplicative state and federal permitting.

Once relinquished, it will be very difficult to regain authority to administer the Section 404 Program in the future.

Steven E. Chester, Director

Department of Environmental Quality

LWMD